

Morgan Stanley



# Tax, Trust and Estate Planning Overview

Wealth and Estate Planning Strategies  
Family Office Resources

---

# Table of Contents

Section 1	Executive Summary
Section 2	Why Tax, Trust and Estate Planning is Impactful
Section 3	What We Offer to Clients
Section 4	Disclosures

All information is as of 1/24 and subject to change at any time.

# Morgan Stanley

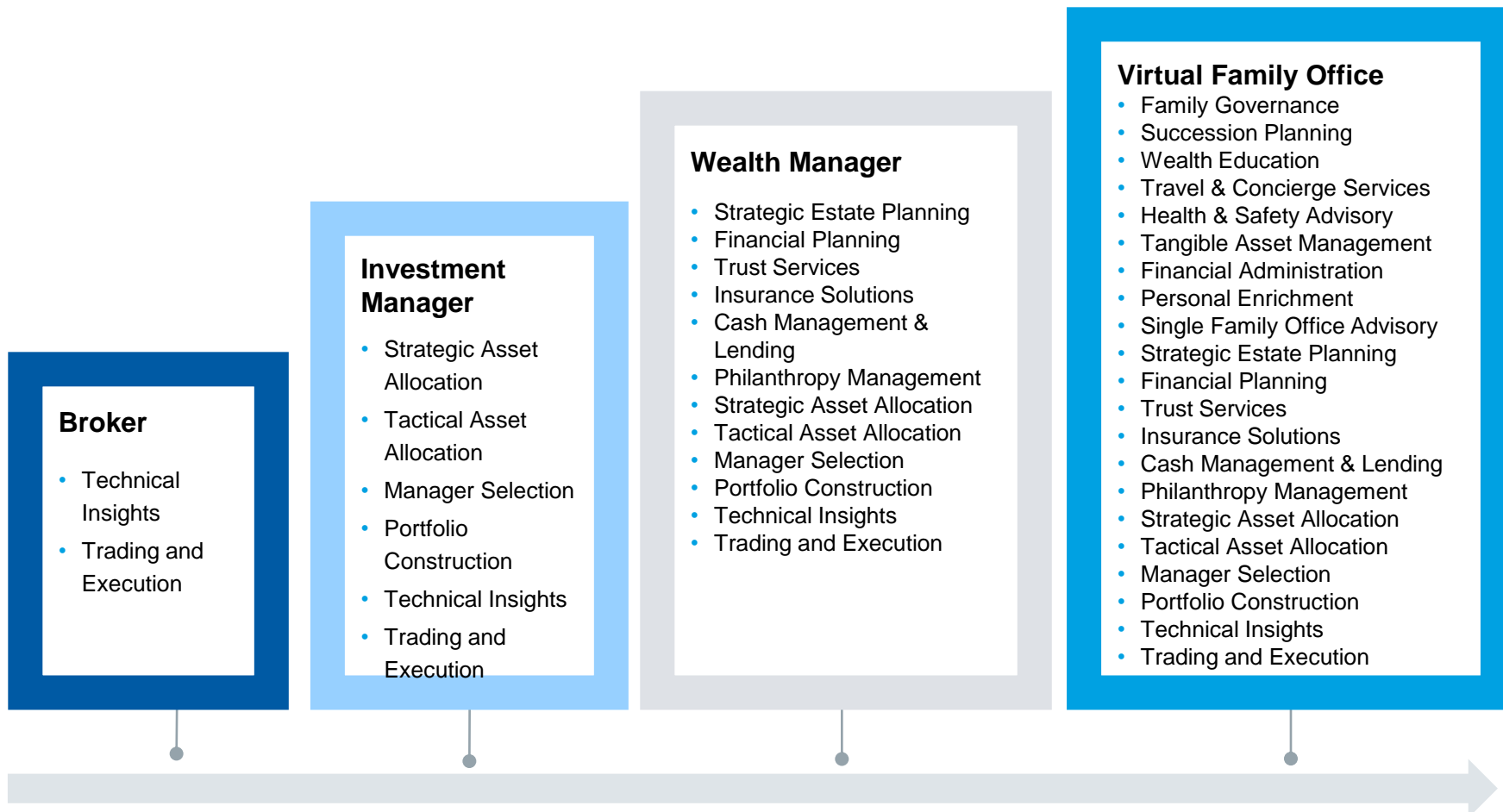
SECTION 1

---

## **Executive Summary**

# The Expanding Role of the Ultra High Net Worth Advisor

As the Demands of Your Family Grow and Evolve, You are Likely to Need Advisors Who Have Expanded their Capabilities.



Morgan Stanley Smith Barney LLC, its affiliates, Financial Advisors and Private Wealth Advisors do not provide tax or legal advice. Clients should consult their tax advisor for matters involving taxation and tax planning and their attorney for matters involving trust and estate planning and other legal matters.

Morgan Stanley

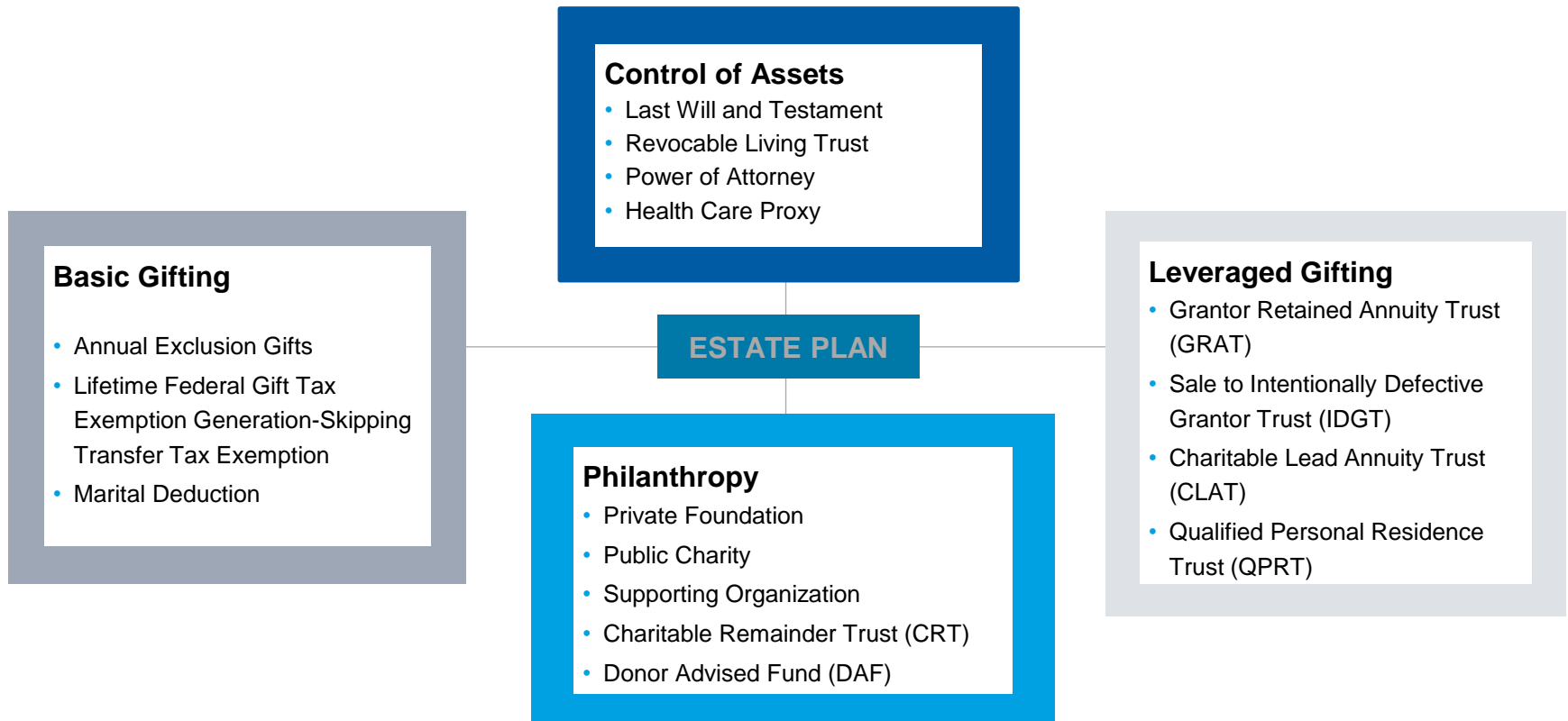
SECTION 2

---

**Why Tax, Trust and Estate Planning Is Impactful**

## Reasons for Planning

The Wealth and Estate Planning Strategists look at all aspects of an individual's estate to understand the current or potential estate planning strategies, including any income and transfer tax results. The goal is for the client and his or her investment professionals to make more informed investment decisions looking at their estate plan holistically.



Morgan Stanley Smith Barney LLC, its affiliates, Financial Advisors do not provide tax or legal advice. Clients should consult their tax advisor for matters involving taxation and tax planning and their attorney for matters involving trust and estate planning and other legal matters.

# Foundational Documents of Estate Planning

The foundational estate planning documents listed below ensure that an individual's wishes are carried out during life, throughout incapacity and after death.

## CONTROL OF ASSETS AFTER DEATH

### Will

- A Will is an instrument which disposes of an individual's property at death in accordance with his or her wishes. A Will takes effect only on the death of the testator and until that time may be revoked or amended.
  - Property passing by Will is called "probate property" as probate is the judicial procedure by which an instrument is proved to be a validly executed Will. Probate makes a Will a public document.

### Revocable Living Trust

- A trust is an instrument by which an individual (the grantor) transfers property to a trustee who is under a fiduciary duty to manage, invest and administer the property for the benefit of designated beneficiaries. A revocable trust is a trust created during the grantor's lifetime which he or she can amend or revoke. The grantor is considered to still own the assets in the trust for income and estate/gift tax purposes.
  - The trust becomes irrevocable on death of the grantor and acts as a Will substitute. Moreover, transfers effectuated by the trust avoid disclosures involved with probate, a public process.

## CONTROL OF ASSETS DURING LIFE

### Revocable Living Trust

- If the grantor of a revocable living trust becomes incapacitated, the successor trustee will administer the trust assets in accordance with the terms of the trust. A funded revocable living trust can be used in lieu of a court-supervised guardianship/conservatorship.

### Power of Attorney

- A Power of Attorney is an instrument by which an individual (the principal) appoints another individual (the agent) to act on the principal's behalf with respect to any or all of the principal's property, as specified in the power of attorney.
  - A Power of Attorney can be made "durable" so that it survives the principal's incapacity or disability. It can also be effective immediately upon execution or "spring" into effect at a specified future time or upon the occurrence of a specified event such as the principal's incapacity or disability.

## CONTROL OF HEALTH CARE DURING LIFE

### Health Care Proxy

- A Health Care Proxy is an instrument by which an individual (the principal) grants another individual (the health care agent) the authority to make health care decisions in the event the individual becomes unable to make such decisions for themselves (including decisions with respect to the withholding or withdrawal of life-sustaining medical treatment and artificial nutrition and hydration).

### Living Will

- A Living Will is an instrument by which an individual expresses their intent or preferences with respect to health care matters, including the withholding or withdrawal of life-sustaining medical treatment and artificial nutrition and hydration.
- If an individual has executed a Health Care Proxy, state law may require the health care agent to act in accordance with the principal's wishes as expressed in the Living Will.

Morgan Stanley Smith Barney LLC, its affiliates, Financial Advisors do not provide tax or legal advice. Clients should consult their tax advisor for matters involving taxation and tax planning and their attorney for matters involving trust and estate planning and other legal matters.

# Basic and Advanced Estate Planning

## ESTATE PLANNING: BASIC GIFTING

### Annual Exclusion Gifts

- Each person can make gifts of a present interest in property in the amount of the annual exclusion, per donee, without utilizing Lifetime Gift Tax Exemption. Married couples can gift twice the amount per year, per donee if electing to split gifts, or if gift is made with community property.

### Medical/Education Exp.

- Direct payments of certain medical and educational expenses (without limit) are excluded from the federal gift tax. Neither counts against the annual exclusion.

### Applicable Credit/Exempt Amounts

- Each individual has exemptions from the federal gift, estate and GST taxes, and the amount of such exemptions are adjusted for inflation annually. Transfers in excess of the donor's exemption amounts may be subject to gift, estate, and/or GST tax. Certain states also impose an estate and/or inheritance tax in addition to the federal estate tax.

## ESTATE PLANNING: LEVERAGED GIFTS/ESTATE FREEZE STRATEGIES

### Grantor Retained Annuity Trust (GRAT)

- Asset placed in trust with donor retaining an annuity and remainder passing to family members.
- Annuity is valued using an IRS benchmark rate.
- Upon termination of trust, the remainder of the property after payment of the annuity to the grantor will pass to the remaindermen of the trust with all appreciation over the benchmark rate, in effect, passing free of additional federal gift or other tax.

### Sale to Intentionally Defective Grantor Trust

- Assets can be sold to a trust for the benefit of one's family. The trust can purchase the property by giving the donor a note bearing a market interest rate. Because the trust is a grantor trust, the grantor is treated as the owner of the trust for income tax purposes, which means that the sale and interest payments do not result in tax recognition
- All appreciation on the purchased assets above the interest rate on the note is held in the trust without incurring federal gift tax.

### Charitable Lead Annuity Trust (CLAT)

- An asset is placed in trust with the donor making a tax-free gift of an income interest to a charity and a taxable gift of the remainder to family members.
- Upon termination of the trust, the property will pass to the remaindermen of the trust (generally family members) with all appreciation over the benchmark rate passing free of additional gift tax.

### Qualified Personal Residence Trust

- Primary residence and/or a vacation home can be transferred to a trust with the donor retaining use of the property for a term of years. Upon expiration of the term, the property is transferred to the remainder beneficiaries (generally family members).



# Basic and Advanced Estate Planning cont'd

## PHILANTHROPY

### Charitable Remainder Trust (CRT)

- An asset is placed in trust with the donor retaining an income interest (and/or giving income interest to another person) and making a gift of the remainder to charity
- Income interest is taxable to the recipient, but CRT itself tax-exempt, allowing assets remaining in trust to grow tax-deferred

### Public Charity

- Entity supported and controlled by public or government which advances charitable purpose
- Higher income tax deductibility limitations
- Not subject to private foundation rules

### Private Non-Operating Foundations

- Privately funded entity which advances charitable purpose through grant-making
- Can be controlled by donor/family
- Lower income tax deductibility limitations.
- Subject to private foundation rules

### Operating Foundation

- Private foundation which actively advances its charitable purpose
- Can be controlled by donor/family
- Higher income tax deductibility limitations.
- Subject to private foundation rules

### Supporting Organization

- Quasi-private foundation linked to a public charity
- Control shared between public charity and donor/family
- Higher income tax deductibility limitations
- Not subject to private foundation rules

# Morgan Stanley

## SECTION 3

---

### **What We Offer to Clients**

# Our Approach

## Our Mission Statement

We are involved with assisting your Financial Advisor to:

- Perform preliminary due diligence – review balance sheet and existing estate planning strategies
- Objectively educate clients about income tax and estate planning strategies
- Analyze planning techniques in relation to client goals
- Implement the estate plan to the extent the client is comfortable but does not provide tax or legal advice
- Integrate investment and estate planning strategies – combining “asset location” with “asset allocation”

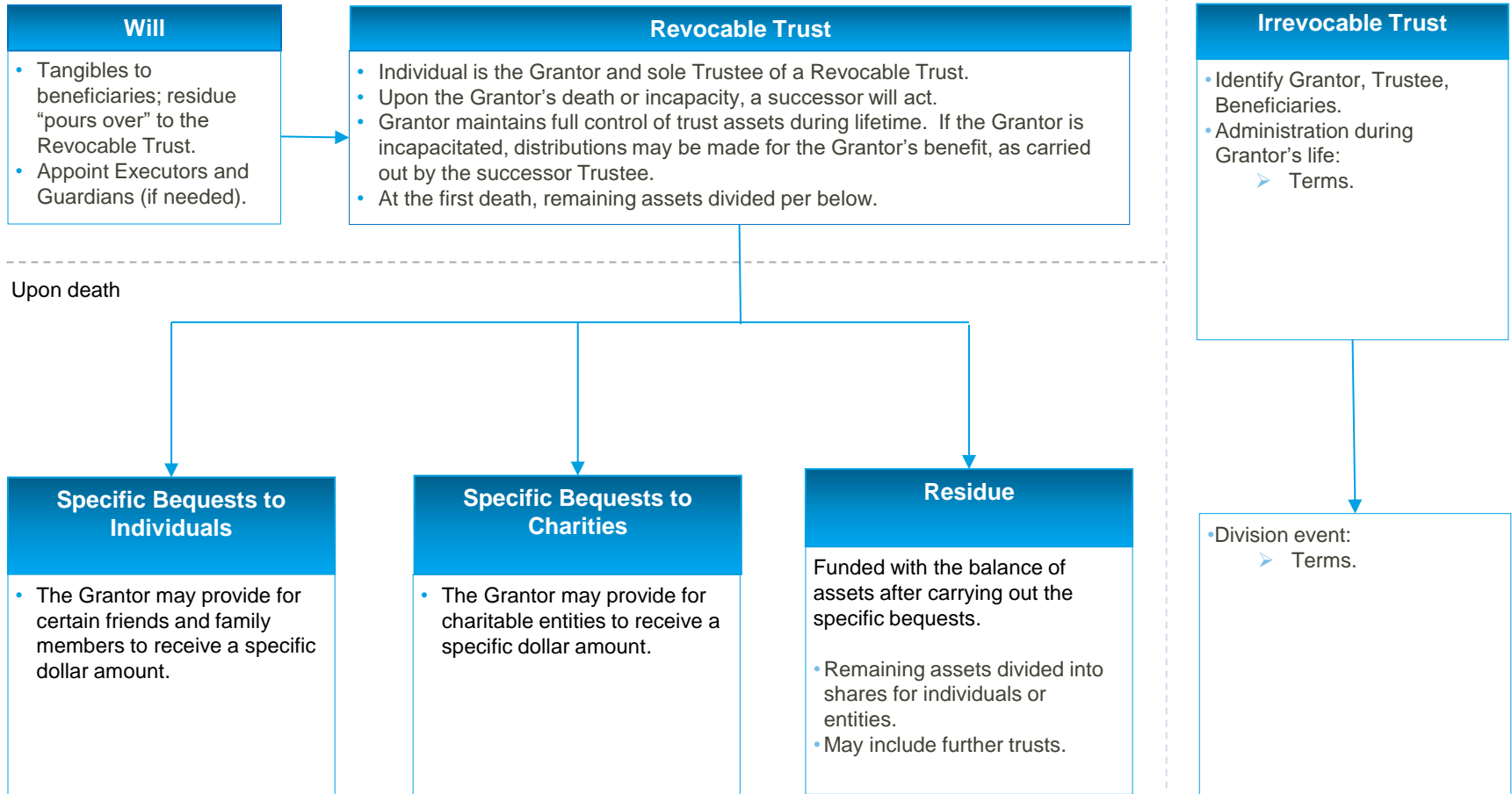


- Ultra-high net worth clients likely have or will have sophisticated estate plans.
- Core functions of the Wealth and Estate Planning Strategists include educating clients about general estate and income tax planning issues and integrating client's investment and estate planning strategies.
- Their job is to complement and support the client's relationship with his or her Financial Advisor and tax and/or legal advisor but not provide tax or legal advice nor replace the client's relationship with his or her tax and legal advisors.

Morgan Stanley Smith Barney LLC, its affiliates, Financial Advisors do not provide tax or legal advice. Clients should consult their tax advisor for matters involving taxation and tax planning and their attorney for matters involving trust and estate planning and other legal matters.

# Sample Document Illustration for an Individual

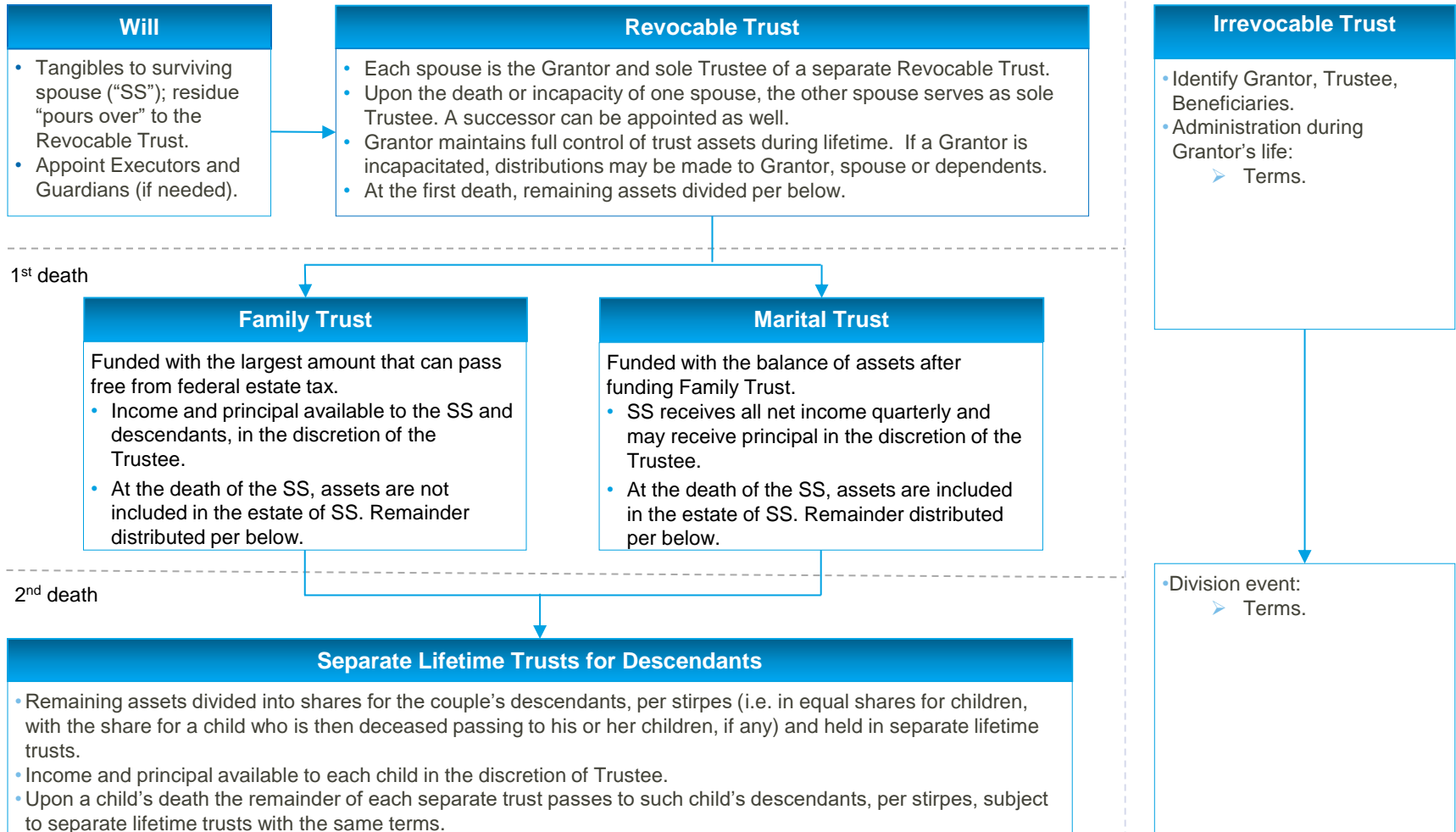
We aim to provide a holistic view of your existing estate plan to help your Financial Advisor make investment recommendations in accordance with your objectives.



Morgan Stanley Smith Barney LLC, its affiliates, Financial Advisors do not provide tax or legal advice. Clients should consult their tax advisor for matters involving taxation and tax planning and their attorney for matters involving trust and estate planning and other legal matters.

# Document Illustration: Married Couple in Separate Property State

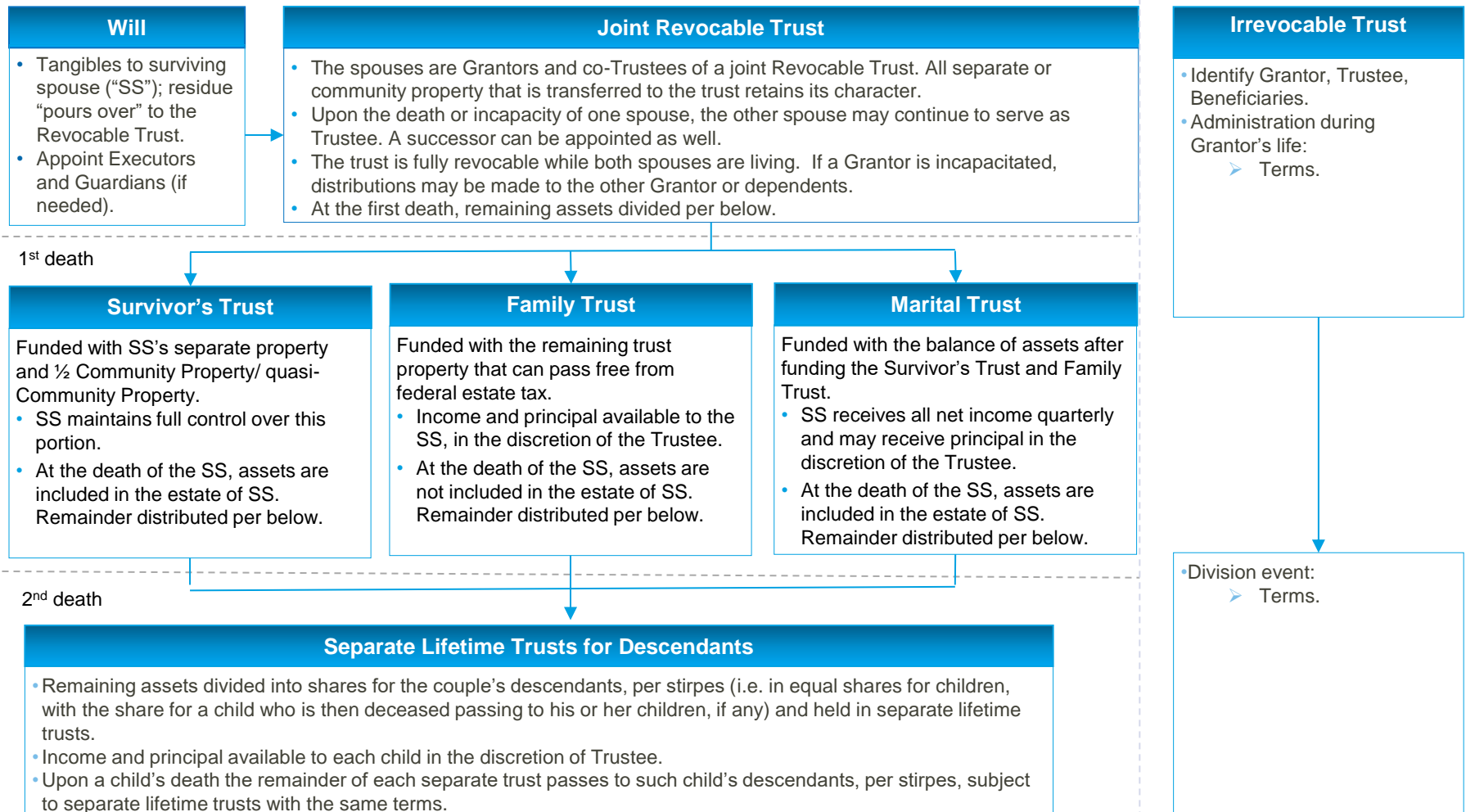
We aim to provide a holistic view of your existing estate plan to help your Financial Advisor make investment recommendations in accordance with your objectives.



Morgan Stanley Smith Barney LLC, its affiliates, Financial Advisors do not provide tax or legal advice. Clients should consult their tax advisor for matters involving taxation and tax planning and their attorney for matters involving trust and estate planning and other legal matters.

# Document Illustration: Married Couple in Community Property State

We aim to provide a holistic view of your existing estate plan to help your Financial Advisor make investment recommendations in accordance with your objectives.



Morgan Stanley Smith Barney LLC, its affiliates, Financial Advisors do not provide tax or legal advice. Clients should consult their tax advisor for matters involving taxation and tax planning and their attorney for matters involving trust and estate planning and other legal matters.

# Techniques by Wealth Level

	INCOME TAX PLANNING	INCOME TAX AND ESTATE PLANNING		ESTATE PLANNING
	INCOME TAX PLANNING	SPLIT INTEREST GIFTS	PHILANTHROPY	WEALTH TRANSFER
<b>All Wealth Levels</b>	<ul style="list-style-type: none"> <li>• Long Term Capital Gains</li> <li>• Qualified Dividends</li> <li>• Options</li> <li>• Charitable Tax Deduction</li> <li>• Tax-advantaged Investment Vehicles</li> </ul>	<ul style="list-style-type: none"> <li>• Charitable Remainder Trusts (CRT)</li> </ul>	<ul style="list-style-type: none"> <li>• Donor Advised Fund (DAF)</li> <li>• Public Charity</li> </ul>	<ul style="list-style-type: none"> <li>• Wills</li> <li>• Revocable Trusts</li> <li>• Health Care Documents</li> <li>• Financial Powers of Attorney</li> <li>• Annual Exclusion Gifts</li> <li>• Health Care and Tuition Exclusions</li> <li>• Disclaimer Trust or Credit Shelter Trust (within Will/ Revocable Trust)</li> <li>• ILIT</li> </ul>
<b>Individuals or couples whose assets exceed relevant state or federal estate tax exemptions</b>	<p><i>Individuals and estates may also want to consider life insurance and lending for liquidity for estate tax purposes and spending to maintain lifestyle.</i></p>			
		<ul style="list-style-type: none"> <li>• Charitable Lead Trusts (CLT)</li> </ul>	<ul style="list-style-type: none"> <li>• Private Foundation</li> </ul>	<ul style="list-style-type: none"> <li>• Lifetime Gift Tax Exemption (Partial or Full)</li> <li>• Irrevocable Trusts</li> <li>• Dynasty Trusts</li> <li>• Leveraged Gifting               <ul style="list-style-type: none"> <li>– Grantor Retained Annuity Trusts (GRAT)</li> <li>– Sale to Intentionally Defective Grantor Trusts (IDGT)</li> <li>– Qualified Personal Residence Trusts (QPRT)</li> </ul> </li> </ul>

Morgan Stanley Smith Barney LLC, its affiliates, Financial Advisors do not provide tax or legal advice. Clients should consult their tax advisor for matters involving taxation and tax planning and their attorney for matters involving trust and estate planning and other legal matters.

Morgan Stanley

SECTION 4

---

## **Disclosures**



## Important Disclosure

This material has been prepared for informational purposes only and is subject to change at any time without further notice. Information contained herein is based on data from multiple sources and Morgan Stanley Smith Barney LLC makes no representation as to the accuracy or completeness of data from sources outside of Morgan Stanley Smith Barney LLC. It does not provide individually tailored investment advice. Be aware that particular legal, accounting and tax restrictions, margin requirements, commissions and transaction costs applicable to any given client may affect the consequences described, and these analyses will not be appropriate to discuss with every client. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives.

Tax laws are complex and subject to change. This information is based on current federal tax laws in effect at the time this was written. Morgan Stanley Smith Barney LLC, its affiliates, and Financial Advisors do not provide tax or legal advice. Clients should consult their tax advisor for matters involving taxation and tax planning and their attorney for matters involving trust and estate planning and other legal matters.

Morgan Stanley Smith Barney LLC does not accept appointments, nor will it act as a trustee, but it will provide access to trust services through an appropriate third-party corporate trustee.

Morgan Stanley Smith Barney LLC is a registered Broker/Dealer, Member SIPC, and not a bank. Where appropriate, Morgan Stanley Smith Barney LLC has entered into arrangements with banks and other third parties to assist in offering certain banking related products and services.

Many estate techniques share the common risk of the loss of control of the assets once the gift of the assets is complete. The strategies set forth herein are shown for educational purposes only, are not tailored to any specific client, and do not constitute a recommendation to employ any strategy identified. To that end, they do not capture all possible outcomes but are based on limited set of assumptions. If the assumptions upon which they are based are not realized, the efficacy of the strategy may be materially different from that which is reflected in the illustration. Accordingly, clients must consult their tax advisor when considering the utility and appropriateness of any strategies identified herein."

Investment, insurance and annuity products offered through Morgan Stanley Smith Barney LLC are: NOT FDIC INSURED | MAY LOSE VALUE | NOT BANK GUARANTEED | NOT A BANK DEPOSIT | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY

The Morgan Stanley Global Impact Funding Trust, Inc. ("MS GIFT, Inc.") is an organization described in Section 501(c) (3) of the Internal Revenue Code of 1986, as amended.

MS Global Impact Funding Trust ("MS GIFT") is a donor-advised fund. Morgan Stanley Smith Barney LLC provides investment management and administrative services to MS GIFT.

While we believe that MS GIFT provides a valuable philanthropic opportunity, contributions to MS GIFT are not appropriate for everyone. Other forms of charitable giving may be more appropriate depending on a donor's specific situation. Of critical importance to any person considering making a donation to MS GIFT is the fact that any such donation is an irrevocable contribution.

Although donors will have certain rights to make recommendations to MS GIFT as described in the Donor Circular & Disclosure Statement, contributions become the legal property of MS GIFT when donated.

The Donor Circular & Disclosure Statement describes the risks, fees and expenses

The term "Family Office Resources" is being used as a term of art and not to imply that Morgan Stanley and/or its employees are acting as a family office pursuant to Investment Advisers Act of 1940.